

## **2.0 Business Plan**

## 2.1 Introduction

The development of an accurate and complete Business Plan is an important component of the Solid Waste Management Program Application. Applicants are encouraged to review the information provided and develop a detailed business plan prior to requesting funding from the program. Applicants may contact the department and arrange pre-application meetings with staff.

Why should anyone go to the trouble of creating a written business plan?

1. The process of putting a business plan together, including the thought put in before beginning to write it, forces one to take an objective, critical, unemotional look at the business project in its entirety.
2. A business plan is an operating tool which, if properly used, will help manage the business and work effectively toward its success.
3. A completed business plan communicates ideas to others and provides the basis for a financial proposal.

**The importance of planning cannot be overemphasized.** Taking an objective look at the business plan will identify areas of weakness and strength, pinpoint needs that might otherwise be overlooked, spot opportunities early, and allow one to begin planning on how best to achieve a business goal. A business plan will even help avoid some overall problems.

A professionally prepared business plan will not be any good if it is not thoroughly understandable. The level of understanding only comes from the person being involved with the business plan right from the very beginning.

Use the plan. Don't put it in the bottom drawer of a desk and forget it. Going into business is rough--over half of all new businesses fail within the first ten years. A major reason for failure is the lack of planning. The best way to enhance chances of success is to plan and follow through on the planning process.

A business plan will help avoid going into a business venture that is doomed to failure. If the proposed venture is marginal, the business plan will show why and may help avoid paying the high cost of learning about business failure. It is far cheaper not to begin an ill-fated business than to learn by experience what a business plan would have taught at the cost of several concentrated work hours.

The business plan also provides the information needed by others to evaluate a venture, especially if seeking outside financing. A thorough business plan will quickly become a complete financing proposal which will meet the requirements of most lenders.

## 2.2 Framework

Business planning does not offer solutions to business problems. Rather, business planning is the framework in which to structure concepts and information about a project. A well-written business plan will determine the feasibility of a project and lay out the action necessary to complete the project.

Several adjectives can be used to describe the business planning process: logical, rational and regimented. A business plan organizes, directs, coordinates, controls and facilitates the development of a project from its inception to its completion. No matter how the process of the plan is described, basic business planning is a systematic methodology for reducing risk and enhancing success for any type of business operation.

There is no exact formula for putting a business plan together. There are, however, a number of "specific" topics which should be covered:

- **Executive Summary:** This is an overview of the business plan. Even though it will be at the beginning of the plan, write it after the rest of the plan is completed. It brings together the significant points and should convey excitement.
- **General Description:** Explain the type of company. If this is an existing business, give its history. If it is a new start-up business, note some of the qualifications to start this business.
- **Products and Services:** Describe the product and/or service. What are its unique features? Why will customers come to this business?
- **Marketing:** Outline your marketing strategy, a competitive edge, drawing customers to the business rather than your competition.
- **Management:** Identify the people who will be active in this business. Describe their skills and experiences.
- **Legal:** Describe the type of legal organization; sole proprietorship, partnership, "S" corporation, limited liability company, corporation. Are patents or trademarks involved?
- **Finances:** State the business' financial requirements and where these funds will come from. Project revenues, costs, and profits.
- **Operations:** Explain any systems or processes that will be used. What facilities will be used? What supplies will be needed and where can it be contained? Who will provide the labor and how will it be accessed?

Remember that the summary, which starts your plan, is the single most important part. Many people will not read past the summary. It must enthusiastically present enough information so readers will continue. How long will the plan be? Probably not much more than ten pages unless your business venture is complex.

Everyone needs help in putting a business plan together. There are several well-written brochures and books available at libraries and book stores for assistance. Most large accounting firms have manuals available. If more assistance is required, contact your local Small Business Development Center or the various consultants (legal and financial) listed in the Yellow Pages.

The complexity of a business plan will vary with the type of business. And, the size of a business plan will reflect that complexity.

A business plan is a prediction of the future based on current abstractions, assumptions and estimates. This is unavoidable. In fact, if you could see into the future, there would be no need for a business plan. When a business plan is implemented, the plan comes in contact with reality. This could be a nasty shock for many business entrepreneurs causing a good deal of doubt about their business plan. However, reality is the feedback necessary to reinforce or adjust the business plan to achieve project completion. If a plan is not working, change items in the plan. The plan itself will show what impacts a change will have on other areas of a business. A business plan is never cast in stone. Use it as a management tool.

## **2.3 Goals & Objectives**

A business plan forces a business entrepreneur to establish written goals and objectives that are:

- ✓ achievable
- ✓ quantifiable
- ✓ prioritized
- ✓ realistic
- ✓ coordinated
- ✓ both short- and long-term
- ✓ action oriented
- ✓ scheduled, i.e., time related

Once goals and objectives are set they must be translated into strategies and paths of action.

## **2.4 Information**

For a new business or operation, a business plan is the first piece of information that is brought together in one document. The information contained in a business plan will be the base for both the entrepreneur's decision and those of the lenders, creditors, etc., who will review the business. After implementing a business plan, measure the performance against the facts and figures in the plan. This will help evaluate where the weaknesses and strengths lie.

## **2.5 Communication**

One of the most important aspects of a business is communication. A business plan is one of the easiest and most reliable communication tools you can possess. The plan will relay to the reader, information about the business.

A business plan can be used to communicate information to a variety of people. Lenders and creditors will obviously want to read the business plan. A decision on whether to extend credit will be based on the information in the business plan.

Internally, the business plan can be used to communicate the goals of the business and how the firm operates. This will help define the roles in the business and may improve the efficiency of an operation. It could certainly improve the coordination among various sections of a business.

## **2.6 Managerial Skills**

Most business plans are written to acquire capital from lenders. However, a business plan is a very useful management tool and will help develop managerial skills.

Having developed a business plan, a set of decisions and assumptions have been made about the business and the economy.

If decisions and assumptions have changed, it becomes the basis for a day-to-day decision-making process. The plan will help evaluate the effects of alternatives before a decision is implemented. It will assist the business owner to maintain a balance between important issues and also give the owner a sense of perspective relating one area of activity to another.

The business plan will also assist in fitting the skills of the employees to specific jobs.

## **2.7 Problems & Opportunities**

The business plan gives a structure within which unforeseen problems can be solved. Many problems can be avoided as the business plan will bring them to your attention before it becomes critical. If necessary, safeguards can be written in the business plan to avoid unforeseen problems. The importance of avoiding problems cannot be over emphasized. If a problem becomes serious enough and impacts the business balance sheet and income statements [i.e., the track record of the company] this can have a disastrous impact on the business' ability to raise funds and receive future credit.

## **2.8 Resources**

All businesses have limited resources which can apply to competing business operations. The business planning process will help differentiate between competing operations and allocate resources to optimize profits.

When writing a business plan, concentrate on the amount of resources (i.e., capital, expertise, etc.) that will be required to bring a project to bear fruit and not what can be collected. It is far better to postpone a project than have it fail due to lack of resources.

## **2.9 Orientation**

A business plan should be oriented to creating a business which will satisfy the wants and needs of future customers rather than producing a product or providing a service. A market orientation will help avoid the pitfalls of opening a business to satisfy the desire of owning a business. The best possible situation is where skills and abilities mesh with the wants and needs of the customer to form an efficient high demand business.

## **2.10 Three-Year Business Plan and Pro Forma Financial Statement Formats**

The following formats are provided to program applicants as minimum acceptable business plan and pro forma financial statement formats. Alternative formats may be used, provided they include all the information that is contained in the attached outlines.

### **2.10.1 Recommended Format For A Three-Year Business Plan**

# **Three-Year Business Plan**

## **A. Cover Sheet**

Name of business, address and telephone number and the name(s) of principal(s).

## **B. Executive Summary - Statement of Purpose**

A summary of the business covering at least the following items: business concept; product information; current stage of business (start-up, developing or existing); and anticipated financial results and other benefits.

## **C. Table of Contents**

## **D. The Business**

1. Description of business: What product or service will you provide?
2. Historical development: List the name, date of formation, legal structure, subsidiaries and degrees of ownership of your business.
3. Product/service lines: What is the relative importance of each product/service? Include sales projections if possible.
  - a) Market segment: Who will buy your product?
  - b) Competition: Describe competing companies and how your business compares.
  - c) Location: Where will you locate and why?
  - d) Marketing: What marketing methods will you use?

## **E. Management**

1. Business format: Is your business a proprietorship, partnership or corporation?
2. Organizational chart: What is the personnel structure? Who are the key individuals and planned staff additions?
3. Personnel: What are the responsibilities and past experiences of partners and employees?

## **F. Finance**

1. Description of the project.
2. Total estimated project cost. Do NOT expect the lender to tell you how much money you can borrow. Explain how much money you need and WHY.
3. Breakdown of the proposed uses of project funds.
4. Lending institution participation, including terms and conditions.
5. Equity participation of the owners and investors.
6. Projections and assumptions used in developing items 7, 8, and 9 below:
7. Three year annualized Pro Forma statement. (see section 2.10.2)
8. Three years of both Profit and Loss statements and Balance Sheets.
9. One year of company Cash Flow, month-by-month.
10. Personal financial statement of owner.

## **G. Production**

1. Description: How will production or delivery of services be accomplished?
2. Capacities: What physical facilities, suppliers, patents, labor and technology exist or will be used?
3. Capital equipment: What type and amount of machinery and durable equipment is needed to operate the business?
4. Supplies: Where and how will you obtain your components and day-to-day supplies and services?

## **H. Supporting Documents**

Include personal resumes; personal financial statements; cost of living budget; letters of reference; letters of intent; job descriptions; and copies of leases, contracts, and other legal documents that help convey an accurate picture of the business.

### **2.10.2 Recommended Format For A Pro Forma Financial Statement**

## Three-Year Pro Forma Financial Statement

	<u>First Year</u>	<u>Second Year</u>	<u>Third Year</u>
<b><u>Projected Revenues:</u></b>			
Item Collected:			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Tipping Fee:			
_____ tons/year @ \$____/ton	_____	_____	_____
Collection Fee:			
_____ tons/year @ \$____/ton	_____	_____	_____
Other Projected Revenues (list):			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
<b>Total Projected Gross Revenue:</b>	_____	_____	_____
 <b><u>Projected Expenses:</u></b>			
Administration Costs:			
Legal	_____	_____	_____
Insurance	_____	_____	_____
Accountant	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Utilities:			
Electric	_____	_____	_____
Water	_____	_____	_____
Wastewater	_____	_____	_____
Phone	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Debt Service:			
\$_____ @ _____% for _____ years:	_____	_____	_____
Labor:			
Owners Withdrawal	_____	_____	_____
# Workers - Salary			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

<b><u>(Projected Expenses, cont.)</u></b>	<b><u>First Year</u></b>	<b><u>Second Year</u></b>	<b><u>Third Year</u></b>
Number of Operating Days/Year:	_____	_____	_____
Equipment:			
Purchase			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Rent			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
Depreciation	_____	_____	_____
Operation and Maintenance:	_____	_____	_____
Capital Improvements:	_____	_____	_____
Transportation Costs:			
Material Collection			
\$ _____/ton	_____	_____	_____
_____ ton/year			
Transportation to Market			
\$ _____/ton	_____	_____	_____
_____ ton/year			
Disposal Costs of Contaminated Materials			
\$ _____/ton	_____	_____	_____
_____ ton/year			
Other Operating Expenses (list):			
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
<b>Total Projected Gross Expenses:</b>	_____	_____	_____
<b>Projected Net Profit (Loss):</b>	_____	_____	_____
<b>Prior Year Fund Balance:</b>	<b><u>N/A</u></b>	_____	_____
<b>Year End Fund Balance</b>	_____	_____	_____

**3.0 SOLID WASTE MANAGEMENT PROGRAM  
GENERAL APPLICATION FORM**

Applicant	<b>Proposed Funding Package</b>	
	Solid Waste Grant	\$ _____
	Solid Waste Loan	\$ _____
	Local Bond Issue	\$ _____
	Local Cash	\$ _____
	Other _____	\$ _____
Federal Employer ID No.	Other _____	\$ _____
Sub Applicant	Other _____	\$ _____
	<b>TOTAL</b> \$ _____	

Description:

To the best of my knowledge and belief, the information included within this application is true and correct. The document and signatory have been duly authorized by the governing body of the applicant.

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Signature

Date

Application Prepared By:

## Representing

## Representing

# BUDGET SHEET

Cost Classification	A Solid Waste Grant	B Solid Waste Loan	C	D	E	Total Funds
1. Administration Expenses						
A. Personal Services						
B. Travel						
C. Legal including Bond Counsel						
D. Other						
2. Land, Structure, Right-of-Way						
3. Engineering						
A. Planning and Design Fees						
B. Project Inspection Fees						
C. Other						
4. Construction and Project Improvement						
5. Equipment						
6. Contractual Services						
7. Other						
8. Other						
9. Subtotal (Lines 1-8)						
10. Contingencies						
11. Total (Lines 9 and 10)						
12. Total %						

Columns A - E: Identify each proposed funding source and enter the amounts budgeted by cost category.

## Proposed Method of Financing

	Secured Funds	Unsecured Funds (Date Anticipated)
A. Solid Waste Grant		
B. Solid Waste Loan		
C. Tax Levy		
D. Local Bond Issue		
E. Local Note		
F. Local Cash		
G. Other (Explain)		
H. Other (Explain)		
<b>I. TOTAL</b>		

### Amount of Funds to be Borrowed for the Proposed Project

	Amount	Rate	Term	Annual debt service	Security pledged toward repayment
Solid Waste Management Loan					
Bank					
Bonds					
Other (Please describe)					
Other (Please describe)					
Other (Please describe)					

**SOLID WASTE FEE INFORMATION**

(Complete sections applicable for both the type of project being funded and the type of project operated by the applicant)

**A. Landfills**

	Current	Proposed
1. Disposal Fee:		
Flat Rate (\$/_____)	_____	_____
Volume Rate (\$/_____)	_____	_____
2. Collection Fee:		
Residential	_____	_____
Business (if different)	_____	_____
3. Itemized Tipping Fees (if applicable):		
Household waste (\$/_____)	_____	_____
White goods (\$/_____)	_____	_____
Tires (\$/_____)	_____	_____
Yard waste (\$/_____)	_____	_____
Contaminated soil (\$/_____)	_____	_____
Rubble (\$/_____)	_____	_____
Other (describe) _____	_____	_____
4. Population served:	_____	_____

**B. Transfer Station/Waste Collection**

	Current	Proposed
1. Tipping Fee:		
Flat Rate (\$/_____)	_____	_____
Volume Rate (\$/_____)	_____	_____
2. Collection Fee:		
Residential	_____	_____
Business (if different)	_____	_____
3. Number of households served:	_____	_____
4. Number of businesses served:	_____	_____
5. Population served:	_____	_____
6. Landfill used for disposal:	_____	_____
7. Disposal cost at landfill (\$/_____):	_____	_____

**C. Recycling Centers/Materials Recovery Facilities**

	Current	Proposed
1. Drop-off Fee:		
Flat Rate (\$/_____)	_____	_____
Volume Rate (\$/_____)	_____	_____
2. Collection Fee:		
Residential	_____	_____
Business (if different)	_____	_____
3. Number of households served:	_____	_____
4. Number of businesses served:	_____	_____
5. Population served:	_____	_____
6. Landfill used for disposal:	_____	_____
7. Disposal cost of non-recyclables at landfill (\$/_____):	_____	_____
8. Projected annual gross revenue from recyclable materials:	_____	_____

**D. WASTE TIRE CLEANUP**

(Waste tire numbers should be expressed on a "tire unit" basis of 20 lbs. passenger tires)

1. Number of tires at the site:	_____	
2. Age of the tire pile:	_____	
3. Are you currently collecting waste tires?	yes _____	no _____
If yes:		
a. Rate charged to accept tires: past _____	current _____	proposed _____
b. Number accepted/year:	current _____	proposed _____
c. Identify sources of tires:	_____	
4. Are items other than waste tires accepted:	yes _____	no _____
If yes, identify what items are accepted:	_____	
5. Location of the tire pile:	_____	

**PRELIMINARY ENGINEERING DESIGN AND COST ESTIMATES**

Attach preliminary engineering or architectural design and cost estimates for all proposed projects involving construction. Applicants need to explain their plans for implementing the final design and inspection of the project.

## **3.1 General Application Instructions**

### **3.1.1 Cover Page**

*Applicant.* Give the name and mailing address of the project sponsoring entity requesting funding or program participation.

*Federal Employer Identification No.* Give the federal employer identification number of the sponsoring entity requesting funding or program participation.

*Sub Applicant.* If applicable, identify the organization that the application is submitted on behalf of.

*Project Title/Description.* Give a one line title to the proposed project and then a brief narrative describing the project.

*Proposed Funding Package.* Include the amount and type of funds requested, the amount of local funds being provided as match, including public or private direct contributions, loans, federal revenue sharing funds, and water development district grants. Enter the total amount on the last line.

*Certification.* This section is to be read, signed and dated by an official of the sponsoring entity, who has been authorized by resolution of the governing body. Also specify the name and title of the person signing.

*Application Prepared By.* Please identify an additional contact person in case questions arise on the application material. Also identify the engineer or architect who is responsible for any preliminary design and cost estimates.

### **3.1.2 Budget Sheet**

Line 1.A. Enter the amount needed for personal services related to loan management and clerical duties.

Line 1.B. Enter the amount needed for travel including vehicle rental.

Line 1.C. Enter all legal fees associated with this project including bond counsel fees, if applicable.

Line 1.D. Enter the amount needed for other administration expenses including: an independent financial audit, publishing, meetings, and any other expenses expected for project administration, including planning district contracts.

Line 2. Enter amounts directly associated with the acquisition of land, existing structures, and related rights-of-way.

- Line 3.A. Enter fees for engineering planning and design services.
- Line 3.B. Enter fees for engineering inspection.
- Line 3.C. Enter amounts for other technical services, such as surveys, O&M manual preparation, tests, and borings not included in Line 3.A or 3.B.
- Line 4. Enter amounts for the actual construction of, addition to, or restoration of a facility. Also include in this category the amounts of project improvements such as roads, access restrictions, new trenches, landscaping, and run-on/run-off control measures.
- Line 5. Enter the amount needed for purchase or rental of equipment required for the project.
- Line 6. Enter the amount of contracts (excluding legal, engineering, and construction) associated with the contract including: planning district services, sampling, and laboratory services.
- Lines 7 & 8. Enter amounts for items not specifically mentioned above. Please identify the costs.
- Line 9. Enter the sum of Lines 1-8.
- Line 10. Enter the estimated amount for contingencies. Contingencies may not exceed 10% of the amount on Line 9.
- Line 11. Enter the sum of Lines 9 and 10.
- Line 12. Percentage that column total is of total project costs.

### **3.1.3 Proposed Method of Financing**

Lines A through H - Indicate the source of the secured/unsecured share of funding. If funds have been secured, indicate the amount in the "secured" column. If funds are unsecured at time of application, indicate the amount of unsecured funds and the date funds are anticipated to be secured in the "unsecured" column. Include any remarks regarding funding in the project narrative.

Line I - Enter the total of Lines A through H.

### **3.1.4 Amount of Funds Expected to be Borrowed**

Provide the amount, term, and rate of the funds expected to be borrowed to help finance the proposed project. Also include the amount of the annual debt service and security pledged towards loan repayment. For "Other", please explain the source of funds along with the above mentioned items.

### 3.1.5 Solid Waste Fee Schedule

The following information will be used to evaluate the applicant's capacity to provide local funds for the proposed project. If necessary, use an additional page to complete the appropriate fee schedule(s).

#### A. Landfills.

Line 1. Enter the amount of the tipping fee if the fee is based upon a flat rate for all wastes received (\$/vehicle, \$/month, or \$/member). Enter the amount of the tipping fee if the fee is based upon volume (\$/cubic yard, \$/ton, \$/bag).

Line 2. Enter the current and proposed fees for residential and commercial collection (\$/year).

Line 3. Enter the amount of the tipping fee if the tipping fees vary for the type of waste received and indicate the basis for the fee (\$/ton, \$/item, or \$/cubic yard).

Line 4. Enter the population served by the landfill.

#### B. Transfer Station/Waste Collection.

Line 1. Enter the amount of the tipping fee if the fee is based upon a flat rate for all wastes received (\$/vehicle, \$/month, or \$/member). Enter the amount of the tipping fee if the fee is based upon volume (\$/cubic yard, \$/ton, \$/bag).

Line 2. Enter the current and proposed fees for residential and commercial collection (\$/year).

Line 3. Enter the number of households served.

Line 4. Enter the number of businesses served.

Line 5. Enter the population served by the transfer station.

Line 6. Enter the name of the landfill used for waste disposal.

Line 7. Enter the tipping fee charged by the landfill.

#### C. Recycling Centers/Materials Recovery Facilities.

Line 1. Enter the amount of the tipping fee if the fee is based upon a flat rate for all wastes received (\$/vehicle, \$/month, or \$/member). Enter the amount of the tipping fee if the fee is based upon volume (\$/cubic yard, \$/ton, \$/bag).

Line 2. Enter the current and proposed fees for residential and commercial collection (\$/year).

Line 3. Enter the number of households served by the facility.

Line 4. Enter the number of businesses served by the facility.

Line 5. Enter the population served by the facility.

Line 6. Enter the name of the landfill used for waste disposal.

Line 7. Enter the fee charged to the facility to dispose of non-recyclable waste at the landfill.

Line 8. Enter the annual gross revenue from the collection and marketing of the recyclable materials.

**D. Waste Tire Cleanup.**

Line 1. Enter the number of “tire units” piled on the site. (One tire unit is equal to 20 pounds.)

Line 2. Enter the number of years the tire pile has been on site.

Line 3. Is the facility currently adding additional waste tires to the pile? If so:

- a. Enter the rate charged to accept tires;
- b. Enter the number of tires accepted each year; and
- c. List the haulers or businesses that are providing tires to the pile.

Line 4. Does the facility accept waste or recyclable materials other than waste tires? If so, list the items accepted and the revenue generated each year from collecting the item.

Line 5. Identify the location of the tire pile.

**3.1.6 Preliminary Engineering Design and Cost Estimates**

If applicable, applicants should attach all preliminary engineering or architectural design and cost estimates developed for proposed projects involving construction. Applicants should also attach equipment requirements and detailed specification sheets for projects involving equipment purchase. Applicants need to explain their plans for implementing the final design and inspection of the project.

